

FY16 Agribusiness Committee Recommendations – December 2015

The Commission received seventeen proposals for FY2016 Agribusiness funds by the announced due date in October. Summaries of the proposals and Committee recommendations are contained below. Other Business regarding existing grants is also included.

Req #	Organization	Project Title	Requested Amount	Committee Recomm.
3118	Blue Ridge Center For Chinese Medicine Inc	Appalachian Medicinal Herb Growers Consortium - Phase II: Processing Herbs	\$196,062	\$196,062
3117	Blue Ridge Soil and Water Conservation District	The Greater Appalachian Sheep and Goat Improvement Initiative	\$290,200	\$255,000
3106	Campbell County	Central Virginia Producer Support Grant Program	\$467,500	\$300,000
3116	Ferrum College	Hydroponic System Model for Specialty Lettuce Production	\$49,000	\$30,000
3105	Halifax Soil & Water Conservation District	Southside Virginia Pasture Infrastructure Program	\$161,778	\$161,778
3104	Lake Country Development Corporation	Southern Virginia Food Hub	\$79,776	\$79,776
3103	Lee County Livestock Association	Livestock Genetic Improvement Initiative for Far Southwest VA	\$200,000	\$155,000
3102	Pittsylvania County	SoVA Vineyard Development and Expansion to Support Virginia's Wine Industry	\$811,526	\$811,526
3119	Providence Multimedia d/b/a Providence Farm	Mushroom Farm Incubator for Southern Virginia	\$195,000	tabled
3113	Virginia Cattlemen's Association	Promoting Quality Assured Feeder Cattle Marketing in Virginia's Tobacco Region	\$805,300	\$59,000
3111	Virginia State University	Postharvest processing, handling, and marketing of Southside Virginia edamame	\$164,822	\$114,822
3110	Virginia State University	Development of Berry Industry in Southside Virginia - Phase II	\$333,930	\$292,930
3109	Town of Wytheville	Wytheville Farmers' Market Site Development Project	\$185,000	\$85,000

Total (17 requests/12 recommendations)	\$5,104,815	\$2,540,894
Balance available before/after recommendations	\$2,936,133	\$395,239

Blue Ridge Center For Chinese Medicine Inc (#3118)
Appalachian Medicinal Herb Growers Consortium - Phase II: Processing Herbs
\$196,062 Requested

Project Description Provided by Applicant:

Executive Summary: Phase II builds upon the success of Phase I: the expertise of the Blue Ridge Center for Chinese Medicine (BRCCM) in Floyd County would expand the Appalachian Medicinal Herb Growers Consortium (currently 33 farms planted in 5 counties, with 17 more in Spring 2016), to double plantings at existing farms, begin the first major harvest, add capacity for drying, processing and packaging herbs (using solar power), and selling to licensed clinical practitioners, thus improving incomes for farming families. BRCCM has provided “alternative” healing that is sought by the nation’s top hospitals in Integrative Healing Centers, incorporating Eastern and Western medicine. Licensed practitioners in the U.S. (27,000) want domestic sources; quality of Chinese imports has deteriorated. Farmer income can rise \$300-\$27,000/year, depending on land planted. To be self-sustaining, funding is needed for 2 more years. BRCCM seems destined to be an epicenter—the U.S. Medicinal Herb Hub—helping reverse the loss of jobs.

How will this project directly assist tobacco region producers access the identified market opportunity? This project not only assists in retaining current jobs and producing new jobs, but is directly focused on agriculture - where the loss of the tobacco product resulted in the ultimate creation of the Tobacco Commission. Chinese medicinal herbs represent a new, high-income agricultural product that can be grown throughout the tobacco region to supply a very large U.S. medical market that cannot gain access to locally grown Chinese medicinal herbs. This project quite likely places Floyd County as the epicenter of Chinese Medicinal Hubs in the U.S. Tobacco region producers will be exposed to a new high-value crop and also will have the opportunity to interact with notable medical centers as Integrative Medicine continues to grow at places like Johns Hopkins, Mayo, Cleveland, Duke and others as doctors and Chinese practitioners seek ways to integrate the best of Western and Eastern medicines.

Staff Comments: This project received \$152,660 in FY15 with a balance of approximately \$70,000 remaining. The applicant has indicated that the balance will be requested by the end of this year for fourth quarter expenses covering labor costs, supplies and materials, and equipment purchases. The Phase II request seeks to build upon the success of the already funded work which has resulted in 33 current farms planted in 5 counties. An additional 17 farms will be planted during Spring 2016. In this phase plantings will be increased at existing farms and the first major harvest will be undertaken. Capacity for drying, processing and packaging herbs will be increased. Funds will be used for a operating support for project personnel (both salaried and contractual), travel, supplies (seeds and planting materials), shipping costs, harvesting and processing labor as estimated in the line item budget provided in the application. Matching funds are shown from the Appalachian Regional Commission (\$125,000 - Application intended) for Equipment and Construction purchases in 2016 and 2017. The applicant also presented its intent to direct \$100,000 of future revenues from 2016 and 2017 to the ongoing operational needs of the project. Conversations with the applicant also show an intent to pursue funding from USDA and other sources. Seventy-five farms are expected to participate in this phase of the project with \$3,062 in net new annual sales per farm. Overall, as a first-time grantee, the Center has fulfilled all reasonable expectations for the first grant in terms of new farms added, product grown and processed, and proper uses of grant funds. This current request does an outstanding job showing market demand from buyers across the U.S., and the demonstrated ability to grow desirable products at several farms in multiple tobacco region counties.

The growth market for these domestically grown products appears robust, with significant potential to expand production and attract net new income to the region from distant buyers.

Committee recommends award of \$196,062.

Blue Ridge Soil and Water Conservation District
The Greater Appalachian Sheep and Goat Improvement Initiative (#3117)
\$290,200 Requested

Project Description Provided by Applicant:

Executive Summary: The goal of the Greater Appalachian Sheep and Goat Improvement Initiative is to increase net farm income of existing sheep and goat producers, and help establish new sheep and goat farmers in Bland, Carroll, Floyd, Franklin, Henry, Grayson, Patrick, and Wythe Counties. Sheep and goat numbers are on the rise in Virginia. Families are purchasing sheep and goats for a number of reasons, including youth 4-H and FFA projects, wool production, and meat or dairy production. Unlike larger livestock, small ruminants consume less feed and require less land. Existing herds are growing and new herds are starting because Virginia offers a great climate to raise successful flocks. There is also an economic incentive to increase sheep and goat production. The US Census of Agriculture documented 220% growth in sheep and goat product revenue in these counties from 2007 until 2012. The total economic impact was \$853,000 in 2012.

How will this project directly assist tobacco region producers access the identified market opportunity? Qualified and approved applicants will be required to complete an online business plan through Ag Plan from the University of Minnesota and attend one training program to be considered for acceptance into the cost-share program. During the 5 year term of the grant agreement, participants will attend a yearly program education and training in FAMCHA and parasite control, breeding, genetics, feed and pasture management, and predator control. This will help them build and maintain a healthy, successful flock: the first step in establishing a profitable farm market venture. The project will serve 88 small ruminant producers in 8 counties during the initial round. Producers will be able to receive a cost-share payment of a maximum \$3000 after making a total investment of \$6000. The projected investment in building equipment and materials into the surrounding communities will be \$528,000. Future expansions or becoming certified will help strengthen market and profit.

Staff Comments: This project proposes to provide up to \$3,000 of 50:50 cost-share incentives to a total of 88 producers in eight tobacco counties (five in Southwest and three in Southern VA). Incentives would be used to construct barns/sheds, fencing, acquire feeders/feedbins, handling and milking equipment. Approximately \$21k of the request is sought for reimbursement of actual administrative expenses (printing, postage, mileage etc) and to conduct educational workshops. Participants will be required to attend training workshops, submit business plans, insure structures/equipment and maintain practices for at least five years. TRRC staff has requested clarification and tightening of the proposed program guidelines, and the applicants have responded positively on a number of issues. Minimum age for participants has been raised to 16 (with parental co-signing and participation). Minimum herd sizes to qualify for cost-share have been set at 15-25 depending on the practice (new versus existing producers etc.) and the purchase of the minimum required number of additional animals will be the responsibility of the producer. TRRC staff recommended lowering the cost-share to 33% of eligible practices in order to be consistent with other recent Commission cost-share programs, and the applicant has responded that it is hopeful the Committee will support the requested 50:50 cost-share. The outcome of \$10 net new annual income per producer was a typo and has been clarified to show several hundred to thousands of dollars of

net new income per producer, depending on the producers business plan (sale of meat, dairy products etc.). The projects revised guidelines have been well-developed and a network of Extension agents are poised to implement the project in early-2016. Staff remains of the viewpoint that a 33% reimbursement should provide ample incentive, and would set a precedent for expanding small ruminant cost-share incentives to other tobacco region counties. Overall, this request (along with the revised Lee Livestock proposal) is the first significant regional effort to provide TRRC incentives for small ruminant producers, a field where young and lower income producers have lower costs to entry in terms of purchasing animals, grazing needs etc., yet can realize significant measurable income relatively quickly. For equitable treatment relative to the similar Lee County proposal, staff suggests an award that would provide \$30k in each county and \$15k for projects admin costs and educational workshops.

Committee recommends award of \$255,000 to be distributed per the applicant's revised guidelines, with a cap of 33% cost-share.

Campbell County
Central Virginia Producer Support Grant Program (#3106)
\$467,500 Requested

Project Description Provided by Applicant:

Executive Summary: The overall objective of the Central Virginia Producer Support Grant (CVPSG) is to provide assistance to producers to enhance and enable their ability for greater pasture utilization, hay storage, feeding capability, herd genetics, and handling equipment. This will be accomplished by offering 33% cost share in seven (7) components. The components consist of some new projects as well as revising some projects from previous grant programs. They are: Pasture Watering Systems/Wells; Solar Equipment (excluding electric fencing); Hay Wrappers; Mix Wagons/Grinders/Creep Feeders; Cold Storage; and Cattle Working/Handling Equipment. This initiative will be targeted to 14 Tobacco Commission Counties: Amelia, Appomattox, Bedford, Brunswick, Buckingham, Campbell, Charlotte, Cumberland, Halifax, Lunenburg, Mecklenburg, Nottoway, Pittsylvania, and Prince Edward. Tobacco funds are being requested to provide matching funds for 10 Agriculture producers in each of the 14 counties. This grant would provide up to a .33% reimbursement not to exceed \$3,300 per producer.

How will this project directly assist tobacco region producers access the identified market opportunity? The market opportunities already exist. This project enables producers to be more competitive and or enlarge their opportunities to take advantage of the existing market by providing more product to sell or enhancing their product so it is more desirable to sell, i.e. more cattle/animals, better quality cattle/animals.

Staff Comments: Whereas the original request was to support six cost-share practices, staff is recommending funding to support three practices (e.g. Hay Wrappers, Mix Wagons Creep Feeders, and Cold Storage units for fruits and vegetable producers). The applicant has agreed to remove a practice for Pasture Watering Systems/Wells as a different proposal that is being recommended for funding by the Halifax SWCD covering eight of the thirteen counties included in this request is providing 25% cost-share for watering systems with wells not being eligible given the inability to limit these only to agriculture uses. A second practice for Solar Equipment for watering systems was also removed as it was directly tied to the watering systems practice. Recognizing that little information was provided to demonstrate demand/need, staff asked that this new cost-share grant and program be targeted to practices that have not been supported previously. As such the

Working/Handling Equipment practice, which was supported under a previous improved production techniques grant, is not included in those that are recommended to be supported. Estimated costs for the three practices being recommended for funding at \$10,000 or more, with participants being required to spend at least \$3,000 to be eligible for the 33% cost-share reimbursement. The applicant has provided data to support the cost savings and increased income to producers that are expected to result from implementation of the three practices recommended to be supported. Ultimately, a more focused project will still serve a significant number of producers across a broad swath of Southern Virginia and incentivize considerable private investment.

Committee recommends award of \$300,000.

Ferrum College

Hydroponic System Model for Specialty Lettuce Production (#3116)

\$49,000 Requested

Project Description Provided by Applicant:

Executive Summary: A pilot project is proposed on the Ferrum College campus. The objective is to offer a vehicle for farmers to examine and weigh the costs, benefits, and returns of a two-tiered scalable income opportunity – high tunnels alone, as well as a high tunnel fitted with a hydroponic system – firsthand. The seasonally agnostic environment of protected agriculture – a high tunnel and/or hydroponic system – makes it well-suited to functionally extend the growing season and command a price premium for specialty crops.

How will this project directly assist tobacco region producers access the identified market opportunity? High tunnel production provides two scalable tracks for prospective producers or those actively seeking to transition as a standalone in-ground system or hydroponics. Both iterations of this unifying design temper the otherwise significant costs of conventional greenhouse production with nominal startup costs. In addition, it provides the dexterity to rapidly adapt to prevailing market conditions. For example, a hydroponic setup can be reverted to a high tunnel and vice versa.

Staff Comments: Ferrum requests funds to construct, equip and purchase plants for an on-campus high tunnel and hydroponic facility. Funds are also requested to cover a portion of a farm manager position that would be created. Staff would note that the project would be demonstrating systems known to work, and this may be a source of food for the College's dining hall, which has minimal direct alignment with measurable Ag program objectives. Staff has asked the College's project leaders if they would be agreeable to TRRC funding only the \$25k capital costs to establish the high tunnel/hydroponic facility, plus a small amount for advertising/conducting workshops, on the condition that Ferrum commits to covering annual operating expenses including the farm manager, and under the condition that Ferrum conducts a specified number of public workshops over the next three years so that the Commission has assurance of our primary interest in educating area farmers about the opportunity for this type of production.

Committee recommends award of \$30,000 to construct and equip the facility, and to conduct public education workshops, contingent on the applicant committing the required matching funds to operate and sustain the facility.

Halifax Soil & Water Conservation District
Southside Virginia Pasture Infrastructure Program (#3105)
\$161,778.24 Requested

Project Description Provided by Applicant:

Executive Summary: This program utilizes a cost-share incentive to establish new pasture and increase the ability of livestock producers to implement rotational grazing, along with converting endophyte-infected tall fescue pastures into novel-endophyte or warm season grasses. The primary goal is to install practices that increase the ability of producers to graze their livestock (cattle, goats, sheep) more efficiently. The fencing portion of the program is based around increasing the number of grazing acres and the ability to intensively manage livestock for enhanced forage utilization. The conversion of traditional endophyte infected tall fescue pastures into novel-endophyte tall fescue or warm season grass pastures will further enhance grazing efficiency and livestock productivity. By implementing these practices, producers will improve utilization of pasture and decrease reliance on supplemental feed, resulting in an increase in net farm income.

How will this project directly assist tobacco region producers access the identified market opportunity? By increasing herd efficiency, this project allows producers to capitalize on increased profit from record-high livestock prices. With current high cattle prices and decreased cattle inventory, there is an opportunity for new producers to enter the market and existing producers to expand to meet demand. In addition to increased overall demand, consumer demand for locally raised, grass-finished beef is rising. Goat and lamb meat is an emerging market and price and demand for these products are increasing to meet consumer needs of the east coast metropolitan areas. Southside Virginia is ideally located 800 miles from 75% of the U.S. population, allowing us to take advantage of these value-added markets via new local channels such as Seven Hills Food in Lynchburg.

Staff Comments: This is a well-developed proposal and cost-share program designed to target new and existing livestock producers for establishing new pastures, rotational grazing systems, and pasture conversion to novel tall fescue or warm season grasses. The project is expected to benefit at least 60 cattle and small ruminant producers in eight Southside counties, resulting in \$5,000 annual increase in net income for program participants from improved weight gain and birthing rates and fewer hay/feed purchases. The SWCD presented very solid content on the agriculture problems to be addressed by the program, the need for a financial incentive to encourage the best practices, and return on investment calculations. VCE publication data included with the application identifies the calving rate for beef cows is substantially reduced when relying on hay rations, resulting in losses of \$26,497/year or ~ \$530 per cow/year in a 50 cow herd. A second VCE publication concludes that there is a 44% reduction in gain on ewes and lambs, the equivalent of 48 lbs loss or \$96 loss/lamb, from grazing on endophyte-infected pastures. A detailed budget with good justification explaining the use of TRRC funding to support education programs costs and materials, supplies and travel costs; and providing 25% cost-share reimbursements for up to \$3,000 per participant was proposed. The cost-share level provides for 3:1 match from producers, the most from any project in this grant cycle. Three SWCDs are partners on the project and initial funding allocations are for four participants from each of the eight counties, with funding ideally targeted to serve two cattle and two small ruminants producers in each locality. A solid ranking system for awarding of cost-share is presented, that is not just a first-come, first-served basis. The scoring system provides for priority emphasis with higher points awarded for new recipients of TRRC cost-share funding, beginning/newer producers, and those targeting higher pasture acreages under the program. This demonstration phase could lead to future requests, but will provide verifiable data on best practices in grazing and significant private investment across a multi-county project area.

Committee recommends award of \$161,778.

Lake Country Development Corporation
Southern Virginia Food Hub (#3104)
\$79,776 Requested

Project Description Provided by Applicant:

Executive Summary: This project is for the development of the Southern Virginia Food Hub (SVFH) that will be owned and operated by The Taylor-Wright Farm Company. The SVFH will collaborate with local farmers to increase on-farm income by offering a unique "Farm to Table" marketplace in Southern Virginia. They will partner with Virginia Tourism and Virginia Cooperative Extension (VCE) to serve as a showplace for locally grown meats and produce, as well as, Virginia's Finest and Virginia Grown items. The SVFH will contain a commercial kitchen for local food entrepreneurs and farmers to process their low value, blemished produce into high value-added products. The SVFH will host quarterly open houses, product cooking classes, and business/marketing classes offered through VSU, Virginia Tech, and VCE. The SVFH wishes to serve as a test market for farmers working to transition their farms from tobacco or just entering the market and need consumer feedback and marketing assistance.

How will this project directly assist tobacco region producers access the identified market opportunity? This project will directly assist tobacco region producers who are exploring value-added food enterprises and market outlets for local foods as potential income replacement options. Currently, there are 14 produce farmers committed to working with the SVFH, all of which have expressed interest in creating their own value-added products in the kitchen. There are also 5 local entrepreneurs ready to use the kitchen to process their wares, as evidenced from the attached document "Partnership with Local Producers". Traditional farmer markets have limited hours of one day per week. The SVFH will be open six days per week, greatly increasing consumer access to local agricultural products. The SVFH will serve as a regional receiving station for the purchase of blemished/past prime produce from local farmers. This produce will be processed into value-added product and sold to the consumer, thus assisting in the elimination of food waste and increasing farm income.

Staff Comments: One of the biggest challenges for the Agribusiness sector of the tobacco region, to increase farmer income from local grown produce, fruits, and meats, is the need for aggregating and processing produce in order to expand market opportunities. The goal of this project is to address this need through the development of a multi-purpose facility located in the downtown area of South Hill, serving as a privately owned Food Hub with a commercial kitchen and retail marketing outlet for the sale of locally grown fresh, frozen, and value-added products. The project has many strong letters of support from economic and agribusiness interests, and from producers with estimates of specific volumes of increased sales projected to result from working with SVFH. The project includes a partnership with VSU's Virginia Cooperative Extension program which has committed to assisting with marketing education and development of the food hub. At the time of application there were 14 produce, fruit and meat farmers representing seven tobacco region localities, who were confirmed as committed to working with the SVFH, all expressing an interest in the commercial kitchen; as well as expressed interest from the Southside Produce Auction in Charlotte County. In addition, there are five local food entrepreneurs expressing interest in value-added product production at the facility; and these and the producer numbers are expected to continue to increase once the business is in operation. A detailed line item budget for equipment items to be purchased from the grant was provided; and match is committed from \$325,996 in loans, grants and private investment for costs to purchase, renovate and equip the facility (match is 4:1 on the funding requested from the Commission). The applicant and beneficiary are committed to tracking outcomes of interest to the Commission and included with the application forms for collecting data on pounds and price paid to producers; pounds of product sold as fresh, raw

products; pounds of produce processed and sold as value-added product; and the number of local producers that use the commercial kitchen for value-added processing. Lake Country Development Corporation confirmed they plan to own the equipment purchased with grant funds, and will lease it the Southern Virginia Food Hub under a performance agreement requiring documentation of private investment, job creation, and purchasing from local producers and food entrepreneurs.

Committee recommends award of \$79,776 subject to a satisfactory performance agreement between the private operator and the applicant which shall be approved by the Executive Director.

Lee County Livestock Association

Livestock Genetic Improvement Initiative for Far Southwest Virginia (#3103) **\$200,000 Requested**

Project Description Provided by Applicant:

Executive Summary: To enhance the livestock industry in the area, the Lee County Livestock Association with support from adjoining Cattlemen's Associations would like to offer cost-share for genetic improvements of livestock herds. Producers who operate livestock operations in Lee, Scott, Wise, Dickenson, and Buchanan Counties and attend educational classes will be eligible for funding based on first come first serve. The cost-share will be 50% reimbursement to producers up to \$5,000 for breeding stock and artificial insemination equipment for cattle operations, \$3,000 for small ruminants operations, or \$5,000 for mixed operations. As a result of this cost-share, producers will have the opportunity to receive increased premiums for better quality livestock, build a stepping stone for value added opportunities, and prepare for the future of the livestock industry.

How will this project directly assist tobacco region producers access the identified market opportunity? To meet Virginia Quality Assurance and other related value added marketing, livestock must quality grade and weaning weight are critical to bottom-line for producers. With better genetics, the quality of the livestock in far Southwest Virginia increases developing reputation for group marketing opportunities, increase the number of quality graded livestock, and upgrade the industry in the region to insulate against down turns in the livestock industry. With the educational component of the grant, producers will receive education on marketing, recordkeeping, genetics, and other related topics to assist them identify, develop, and adapt to these marketing opportunities. Working with the livestock groups in far Southwest Virginia, the grant will help groups assist producers in developing group marketing opportunities and create a genetic base to build upon.

Staff Comments: The applicant submitted a similar proposal in last year's Agribusiness cycle that would have served only Lee County. The project submitted this year expands the reach to four additional counties, and includes participation by several livestock producer organizations serving those counties. The current project proposes incentives for beef cattle and small ruminants producers. However, based on these counties having had access to numerous TRRC beef cattle grants since 2004, TRRC staff requested the applicant consider focusing this request on just small ruminants, and the applicant has responded positively to that suggestion. The revised small ruminant project seeks \$155,000 and proposes to provide up to \$3,000 of 50:50 cost-share incentives to a total of 50 producers in five far Southwest counties (\$30k/county). Incentives would be used to purchase registered and tested breeding rams, construct barns/sheds and fencing, and to acquire feeders/feedbins and handling equipment. Participants would be required to attend training workshops, insure structures/equipment, and have a herd of at least 25 breeding females. The revised request also seeks \$5,000 for reimbursement of actual administrative expenses (printing,

postage, mileage etc) and to conduct educational workshops. TRRC staff recommended lowering the cost-share to 33% of eligible practices in order to be consistent with other recent Commission cost-share programs, and the applicant has responded that it is hopeful the Committee will support the requested 50:50 cost-share. Staff remains of the viewpoint that a 33% reimbursement should provide ample incentive, and would set a precedent for expanding small ruminant cost-share incentives to other tobacco region counties. Overall, this request (along with an accompanying request from Blue Ridge SWCD) is the first significant regional effort to provide TRRC incentives for small ruminant producers, a field where young and lower income producers have lower costs to entry in terms of purchasing animals, grazing needs etc., yet can realize significant measurable income relatively quickly.

Committee recommends award of \$155,000 to serve small ruminant producers in the five counties with maximum cost-share of 33%.

Pittsylvania County

So VA Vineyard Development and Expansion to Support Virginia's Wine Industry (#3102)

\$811,526 Requested

Project Description Provided by Applicant:

Executive Summary: The SoVA VDE project is a three year program consisting of four components. Educational aspects will be administered by the vineyard experts within Virginia Cooperative Extension (VCE). Second, a new producer cost-share, to incentivize interested producers/individuals who have never operated or managed a vineyard to establish at least 5 acres of new vines. Third, expanding current vineyards, will be a cost-share program as well. To participate, the vineyard must consist of at least 3 acres currently, with adequate production and would be willing to expand their acreage by at least 2 new acres of vines. The fourth component, on-farm research and development, will be initiated by the Institute for Advanced Learning and Research (IALR). IALR will be evaluating new varieties and genetics to improve disease resistance for increasing vineyard yields and reducing chemical costs for the Southern region. This project will target all Southside counties in the TRRC.

How will this project directly assist tobacco region producers access the identified market opportunity? The major hindrance to additional grape production are the installation costs. Most of our farmer base possesses the expertise to grow crops of any sort, our land is much more affordable and most is owned outright. Vineyard establishment offers a production crop that our farmers can transition into with less capital outlay than in other areas of the state. An acre of grapes will cost the farmer nearly \$35,000 to install and maintain until any marketable tonnage of fruit is harvested/sold. Based on these numbers, under the proposed cost-share program the TRRC investment would represent approximately 8.6% of total costs for a 5 year establishment period for a new vineyard, and no more than 33% of total capital costs for establishing the vineyard in the first year. TIC cost-share will incentivize our farmers to consider the rewards of establishing a vineyard. To date, nearly 70 individuals have already expressed interest.

Staff Comments: This is a very well developed proposal designed to be transformative for the Agriculture sector of the tobacco region and for meeting a critical need for the wine industry of the Commonwealth, with well-documented evidence of grower interest, and strong partnerships including the state viticulturist Dr. Tony Wolf with Virginia Tech/VCE and the Virginia Viticulture Association. With the number of wineries having more than doubled in the last eight years (from

119 in 2007, to 255 in 2015), the wine industry in Virginia is facing what is described as an acute shortage of grapes, as wines marketed under the Virginia label must contain at least 75% Virginia fruit. Data collected in 2012 by the Virginia Wine Marketing office and the Virginia Wine Board identified 31 specific varieties and 860 tons of grapes that wineries in Virginia would have bought if they had been available (representing a demand for at least 350 additional grape acres based average varietal production in Virginia at 2.5 tons/acre). The majority of project budget or \$716,000 is for cost-share payments directly benefiting new producers and existing vineyards and providing an incentive to establish and expand an estimated 238 acres of grape production in the Southside region. The balance of the TRRC funding request at \$95,526 is to support an essential educational outreach aspect of the project that will be led by the Virginia Tech VCE viticulture research station in Winchester for reimbursement of direct costs staff involvement in working with producers in the tobacco region; and a research component based out of the IALR in Danville that is focused on increasing yields through development of more cold tolerate and disease resistant varieties. A survey by the Virginia Farm Bureau has resulted in expressed interest from more than 70 individuals interested in establishing vineyards; and a VVA survey identified nearly all of the 32 vineyards in the Southside area expressing interests in participating. New growers will be required to establish at least 5-acres of grapes for commercial production, estimated to cost as much as \$173K, with TRRC grant funds cost-sharing at \$3,000 per acre for maximum of \$15,000 per participant in the direct costs for vineyard establishment. Interested producers will be required to participate in a comprehensive training program by VCE, and cost-share recipient selection, to be handled by the VVA, will be based on factors relating to site suitability and potential for success. Existing vineyards with at least 3-acres will be eligible for cost share of \$3,000 per acre with the addition of at least two acres, and a maximum of \$15,000 cost-share for typical participants; but with an added incentive for a \$20,000 maximum cost-share payment for vineyards adding 10-acres or more. Substantial investment and commitment is involved in establishment of vineyards, which can take at least three years to bring into production, and the Commission's cost-share portion is estimated to be less than 10% of the total costs to the producers, based on detailed cost-estimates for establishment of vineyards in the Commonwealth. The application identifies that it is expected to serve 50 producers in the Southside counties, of which they have a goal for 20 new producers to establish vineyards.

Committee recommends a grant award of \$811,526, contingent on program guidelines limiting cost-share at the maximum thresholds identified in the proposal and not to exceed 33% of eligible costs for establishment of new acreage.

Virginia Cattlemen's Association

Promoting Quality Assured Feeder Cattle Marketing in Virginia's Tobacco Region (#3113)

\$805,300 Requested

Project Description Provided by Applicant:

Executive Summary: The production of beef cattle is the largest segment of the tobacco region of Virginia agricultural economy representing over \$800 million in revenue to the Commonwealth in the past year. Half of the beef cattle and calves in Virginia are located in Virginia's tobacco regions and nearly all feeder cattle are exported to markets outside of the Commonwealth. The Virginia Quality Assured feeder cattle program is based in application of sound management and producer cooperation to create greater marketing advantage. Historically this has resulted in added value of more than \$80 per head. Use of Virginia Tobacco Commission funding will enable expanded access to feeder cattle markets for tobacco region producers and increase the value of an already important Virginia agricultural commodity. The Virginia Quality Assured feeder cattle program is a

cooperative effort of producers, Virginia Cattlemen's Association, Virginia Cooperative Extension and Virginia Department of Agriculture and Consumer Services.

How will this project directly assist tobacco region producers access the identified market opportunity? This project will directly assist tobacco region producers participating in the Virginia Quality Assured program by providing them resources for obtaining expected cattle performance data through genetic and beef carcass evaluation. Funding would subsidize genetic testing of current program herds to assist in promoting performance predictability of cattle prior to marketing. Follow up with buyers of these cattle will in turn be offered subsidy of obtaining harvest data of the cattle in return for sharing it with producers in the tobacco region. Utilizing this harvest carcass data will positively quantify the cattle performance and allow this information to be used in concert with herd genetic potential and promote the program cattle for added value based on expectations of quality performance and profitability for feeders. Substantiated expectations of program cattle performance and profitability will improve added value across the region and improve promotion capability to buyers of the regions cattle.

Staff Comments: The scope of this proposal appears to be for two initiatives. The first is for a genetics verification program that includes genetic testing, such as blood analysis, that is proposed to be cost-shared with producers, and carcass testing by feeder lots/buyers in the Midwest or elsewhere which is requested to be supported entirely from Commission funding. The second element is for hiring of a staff person in the Southside region to promote the VQA program. This first element for the genetics verification appears to be a program that would be better suited to be coordinated and administered by a research university, such as Virginia Tech; and better suited for funders that provide support for this type of research. Staff has questions about the completeness of the current project design, which does not appear to provide for data analysis, feedback mechanisms to producers for changing production to improve quality based on the results of data analysis, and potential for lack of consistency in carcass data collocation; all of which are aspects that would likely be addressed under a program led by a research university. While staff understands where this data would have value to the beef industry in demonstrating the quality of the cattle, it is noted that the program would require adding funding support in outgoing years, and it is questionable how well the results of this investment in research directly align to outcome measures of interest to the Commission. In terms of the 2nd aspect of the proposal for hiring of a staff person in Southside to promote VQA, staff points out that this program has been in existence for over 18 years, and based on the returns to producers presented in the application should be able to promote itself. After many years of cost-share grants and over \$5 million invested by the Commission in the Value-Added Beef Initiative program that was designed to result in increased participation in the VQA program, staff questions that, if these incentives did not produce the desired result by Southside producer, how likely it is that the funding requested here will have this result. This is based in part on conversations with agricultural professionals in Southside who indicate that producers in Southside are well aware of VQA but for various reasons are electing not to participate. While the application represents the increased return per cattle sold, and includes relatively minimal costs for supply and material, there are other costs to the producers including increased amount of time involved that is not reflected in the cost. A survey of the Southside producers would likely provide more specific reasons for their barriers to participation and gauge the likelihood for the targeted behavior change. Additionally staff needs to point out that while the project budget presents what appears to be a substantial amount of TRRC funding required and includes what appears to be a significant amount of matching fund contributions (\$2,358,200 total project cost), these figures appears to have errors and to be somewhat inflated. While the TRRC requested amount is listed at \$805,300, a tally of the line items shown in the detailed budget brings this total to \$515,499 (the difference is in the totals listed for transfer payments). Where the total matching funds are represented as being above and beyond the 1:1 that is required, staff notes that this appears to include many costs that are already

part of the annual operating budget for VCA, costs for VCE staff time that can be committed to VQA irrespective of the TRRC funding, and producer expenses for participating in VQA including their supply expenses and revenues paid to VQA (Note: revenues to VCA presumably support the VCA operating budget, and likely many of the line items that are already presented in this budget; and therefore, revenues to VCA are not appropriate to list as a match expenditure). An analysis of the budget suggests there to be ~ \$571,300 of new direct costs arguably to be essential to support the two initiatives that are proposed (which at 50% would be \$285,650, as opposed to the \$805,300 request amount). The calculation of this total on new direct costs includes a total of \$296,500 for the genetics program including \$271,500 of transfer payment for genomic testing and harvest quality and yield data and \$25,000 allocated for travel and supplies to promote the program; and ~ \$275K to add the Southside staff person with \$210,000 allocated for salary expenses (\$70,000 annually for 3 years), and \$75,000 allocated to support equipment, travel, and program promotion. The research component would be more appropriate to be handled by a research university and supported by research-type funders, recognizing the past investments by the Commission to support beef cattle producers including grants focused on increasing their participation in VQA, and the expressed concerns that the budget included in this request does not reflect essential project costs.

Committee recommends award of \$59,000 for pilot genetics testing program.

Virginia State University

Postharvest processing, handling, and marketing of Southside Virginia edamame (#3111)

\$164,822 Requested

Project Description Provided by Applicant:

Executive Summary: Virginia State University (VSU) is working to develop vegetable soybean (edamame) as a cash crop in Southside Virginia. Edamame are a class of soybeans harvested at the green stage and marketed as a vegetable. It is mainly consumed in Asian cuisine but its popularity and market share in the U.S. continues to grow. Edamame is a viable cash crop in the region because it is similar to the regular soybean well known to Virginia farmers. Growers have tried various marketing avenues and realized prices ranging from \$2.50 to \$4.50 per pound of fresh beans. In 2014, we identified a market in North Carolina for frozen edamame. This new market provides an opportunity for large-scale contracted production that would significantly expand acreage under edamame in the Southside. To take advantage of this opportunity, higher-capacity harvesting equipment is required. We propose to purchase two ASA-list GB 100 harvesters for this purpose.

How will this project directly assist tobacco region producers access the identified market opportunity? In this application, we propose to purchase harvest equipment to enable fast and efficient recovery of edamame at a uniform and desirable stage of maturity. In comments on the quality of beans delivered in 2014, the NC buyer noted differences in maturity as a quality problem that needed to be overcome by Southside growers. This is because the crop was harvested using our small-scale harvesters designed for recovery of small batches of edamame for direct marketing. The equipment to be purchased is already used for harvesting edamame harvesting (the vendor has already sold 30 units to the Japanese market). An added advantage is the capacity to harvest other green beans including Lima and broad beans, green peas, and snap peas. Additionally, the project will enable growers to access and retain the identified market by hiring a project manager to monitor crop development and coordinate harvesting and postharvest processing.

Staff Comments: VSU is requesting funding to support at least 25 edamame growers in the Southside region for expanded production and market development. The Commission has previously supported development of this small farmer cash crop under two grants totaling \$389k in 2010 and 2012. A map included with the application shows the location of existing growers in fourteen localities in the Southside region. The University is working to form a grower cooperative, and as this effort progresses they expect the number of growers to continue to increase with a wholesale market opportunity in North Carolina in development and as operations at the Prince Edward County cannery are streamlined. Yields from existing tobacco region growers have confirmed that each acre of edamame can provide 4,000 – 5,000 lbs, with producers receiving an average of \$1.00/lb. based on a range in sale prices from \$0.55/lb. for in-pod wholesale frozen product and up to \$5.00/lb. shelled and fresh for direct sale. A wholesale market opportunity is in development with Delight Soy, a food company in North Carolina, which provided a letter of support confirming their interest in contracting with Virginia farmers to grow and deliver frozen edamame. The company will also be providing one seed variety for the producers to grow. Delight Soy has equipment and capacity for shelling the edamame beans and a distribution network for supplying beans to restaurants and institutions. The request to TRRC is to support equipment at \$110,585 for purchase of two harvesters, personnel at \$52,987 for a part-time manager in Southside for six months each year and 1% and 2% of four VSU staff salaries who are directly involved with the project, and a small amount at \$1,250 for supplies and materials. The larger harvesting equipment is necessary for managing the very short harvesting window and to provide consistency in the quality of beans delivered to the buyer in North Carolina. VSU has developed three edamame varieties that are approved by the USDA. Match on the TRRC funding is primarily through a Virginia Department of Corrections facility located outside of the tobacco region. VSU negotiated this relationship in part to have access to a quick freeze facility operated by VA-DOC at their Deerfield Work Center for Women in Southampton County. The VA-DOC partnership provides experience in, and will meet the project needs for seed production and processing on the VSU varieties (bagging and distribution to growers), and postharvest processing (sorting, flash freezing, and storage until delivery). With the second edamame grant from the Commission (#2617) having a current balance in the TRRC project account, staff asked VSU to look at how unobligated dollars could be adjusted to support some of the costs under this request. VSU agreed to allocate \$50,000 from this balance toward costs of one of the harvesters, resulting in a reduced amount of \$114,822 needed under the current request.

Committee recommends award of \$114,822; and approval of repurposing of the \$50,000 under TRRC #2617 for the purchase of one of the two requested harvesters.

Virginia State University

Development of Berry Industry in Southside Virginia - Phase II (#3110)

\$333,930 Requested

Project Description Provided by Applicant:

Executive Summary: Building upon TICRI grant #2261 successes, funding is needed to commercialize Southside Virginia (SV) berry production and marketing. Requested funds will provide infrastructure, technical support, and education to increase SV farmers converting land to profitable berry production. Lucrative opportunities exist capitalizing on skyrocketing “Superfood” markets focused on nutrient dense foods such as berries. Grant #2261 efforts resulted in conversion of 20 SV tobacco acres into berry production garnering \$610,644.00 in annual sales and creating 117 seasonal part-time jobs. Phase 2 will double the number of Southside berry growers by 2018 to increase available yields to meet local, Mid-Atlantic, and New England regional sales demand. The

“Southside Growers” (SG) branding is recognized by large-scale produce buyers. Buyers desire the SG brand, however Phase 1 revealed lack of berry volumes and distribution as reasons larger buyer accounts were inaccessible. The SG brand may also be used for "regionally branding" other farm products.

How will this project directly assist tobacco region producers access the identified market opportunity? A three prong approach of infrastructure, technical support, and marketing will directly assist tobacco region producers to access existing and new markets in Virginia, Mid-Atlantic, and New England regions. Training to access new markets will be conducted. Existing food hubs such as The Farm Table (Richmond) and new food hubs such as the planned Southern Virginia Food Hub-SVFH (South Hill), farmers markets, farm stands, pick your own, and CSAs will be cultivated as direct sale markets for producers. Wholesale berry market access is available through Cole Berry Farm, a grower/shipper company (Vernon Hill) with a distribution system reaching northern Virginia and Baltimore. Richmond based specialty food stores such as Ellwood Thompsons and A Southern Season will be solicited to purchase Southside Grown berries. Virginia Food Works (Farmville) and SVFH commercial kitchens may educate on creating SV berry value-added products. Utilization of “Southside Grown” product logo furthers brand recognition for producers.

Staff Comments: This proposal is a second phase to the successful \$300,000 grant from the Commission in January 2011, focused on expansion of berry production in the tobacco region. VSU reports that the first phase of funding has resulted in fifteen tobacco region producers establishing 20 acres of berry crops with aggregate annual sales of \$610,644 and employing 117 seasonable part-time positions; with the recognition that these numbers will only increase as the blueberry acreages which take several years to establish come into maturity. The first grant directly supported establishing 3 acres of strawberries, 3 acres of blackberries, 7 acres of blueberries, and 3 high tunnels for raspberry production; and among these growers one strawberry grower has committed to adding 5 new acres and three blackberry producers combined have completed or committed to adding 5 acres. A primary goal of the phase 2 grant is to expand the number of berry growers from 15 to 30; with targets for adding five growers for one acre each of blackberries and blueberries, three with an acre each of strawberries, and two for raspberries in high tunnel structures. While direct sales of berries to consumers such as through farmer markets can provide the highest return to producers, these outlets can be limited to smaller volumes of product being sold, and an emphasis of this project is continued development of other market opportunities. During this second phase, VSU will be working with Richmond-area buyers such as Ellwood Thompson’s (letter of support provided) and A Southern Season, to market the fresh and value-added berry products. The relationship with Cole Berry Farm in Halifax County will continue to provide an avenue for growers interested in wholesale marketing of berries, through Cole’s partnership with Produce Source Partners of Ashland (letter of support provided), providing distribution to outlets throughout the Mid-Atlantic region. While staff is working with VSU to close out the first grant and expects a balance of ~ \$50,000 to be de-obligated, staff also asked VSU to review the current request to identify any areas where the request could be reduced. The principal investigator provided a revised budget of \$292,930, which includes removing of the relatively high costs for the high-tunnels for raspberry production (this reduces the number of producers served to 13); and reductions to consultant costs, and to supplies and materials; and with match contributions from producers being increased. Staff recommends an award of \$292,930.

Committee recommends award of \$292,930.

Town of Wytheville
Wytheville Farmers' Market Site Development Project (#3109)
\$185,000 Requested

Project Description Provided by Applicant:

Executive Summary: The goal of this project is to redevelop a vacant warehouse and adjacent parcels at 210 W Spring Street in Wytheville, VA in to a permanent downtown indoor/outdoor retail location for Wytheville Farmers' Market. The site includes a 10,000 sq ft block building on concrete slab foundation, with two out-parcels, totaling 4,000 square feet each. Tobacco Commission funding will be utilized for the construction of two shelters covering the adjacent out-parcels for use as an outdoor venue for market operations. The project addresses known retail leakage in the grocery and specialty food sectors as well unmet demand for market access from local farmers. This project is expected to increase market sales and serve as catalyst for Wytheville's Downtown Revitalization efforts. The site is connected to Wytheville's Wither's Park, Elizabeth Brown Park and Main Street via Heritage Walk.

How will this project directly assist tobacco region producers access the identified market opportunity? By developing a larger site we can meet a known unmet demand for access. We know that the market currently accommodates 28 vendors has 5 full-time potential vendors on a waiting list. Based on the size and configuration of the proposed location, Wytheville farmers' market can reasonably expect to add at least 12 new vendors by year 3; a 43% increase over its current maximum of 28 vendors per week. Extend the market season: Some vendor provide products whose availability is not determined by season, such as organic beef and eggs. Unfortunately these vendors don't have access to a market beyond the current 20 week season. This project, by providing an indoor alternative, will allow the market to expand to a year round season, thereby increasing market access for current vendors by 32 weeks, or 260% when considering Saturdays only.

Staff Comments: Funding is requested to construct two shelters adjacent to a vacant warehouse in downtown Wytheville that is being redeveloped to provide new permanent space for the Farmer's Market. Since 2007 the Farmer's Market has operated on leased space, however the lease expired in October 2015 when the property owner chose to to renew it. The former site could accommodate 28 vendors with five currently on a waiting list. The new site will be able to accommodate 40 vendors. The indoor space will allow vendors to participate year round (32 additional weeks) to market seasonal items. The application shows estimated weekly sales per vendor (\$112,000 total sales for the 2015 market year). The increase in vendors and operating season is estimated to produce \$256,000 in sales. Matching funds are committed from several sources. The Wythe-Bland Foundation provided \$275,000, of which \$240,936 was used in December 2014 to acquire the building. The balance of this award (\$34,064) remains available for the project. USDA awarded a \$75,000 Rural Business Development Grant for renovation of the interior space. The Town of Wytheville will provide \$24,450 in cash for the project and will contribute \$11,320 in in-kind utility installation services for the project. TRRC funds appear to be the only funds associated with the cost of the outdoor shelters. Only one shelter is shown on the concept renderings provided with the application and the Town's project leaders have indicated that the one shelter would be sufficient at this time. Each shelter was estimated to cost \$84k plus a 10% contingency. The Town's long track record of operation of the market at its previous location (including the recording of aggregated sales revenue), and the commitment of matching funds to gain site control and make improvements to the enclosed structure, indicate this project has a strong likelihood for long-term support from regional producers and customers.

Committee recommends an award of \$85,000 to construct one outdoor shelter fronting the Town's Heritage Walkway.

OTHER BUSINESS

Abingdon Feeder Cattle Association, Inc.

Southwestern Commodity Storage Initiative (Phase II) (2476)

\$700,000 Grant Award - Request for 5th year Extension

Project Description in Approved Application:

Executive Summary: The objective of the Commodity Storage Initiative is to improve the feed and storage efficiencies of commodities for livestock producers in tobacco dependent communities. Construction of on-farm structures will enhance farm profitability and therefore benefit the region's overall economy. Participating counties include: Buchanan, Dickenson, Lee, Russell, Scott, Smyth, Tazewell, Washington and Wise. By implementing improved feeding programs and using lower cost inputs, livestock producers can increase both production and farm profits. Funds are requested to provide capital incentives to producers to expand hay and/or feed storage capabilities. Three components of bulk commodity storage will be addressed: feed storage bins, bulk commodity storage structures, and hay storage structures. The purchase of storage bins and bulk structures will provide the means by which producers can purchase feed at a substantial discount by avoiding peak pricing periods. The construction of hay shelters will decrease storage losses and individual animal ration costs by better preserving on-farm harvested forages. This grant will allow qualified producers to be reimbursed on a 67/33 cost basis for eligible expenditures. A two-tier payment structure will be utilized. Higher cost bulk facilities are eligible for a maximum cost share of \$10,000. Hay and feed storage are eligible for maximum payment of \$3,300. Program guidelines of the Storage Initiative require participating producers to: attend an educational session offered by Virginia Cooperative Extension on animal nutrition and sourcing feedstuffs, maintain records on feed utilized in the storage facilities, maintain storage structure and file an annual report to the County Agriculture Extension Agent.

Staff Comments: This project was approved in January, 2012 and has a current balance of \$403,874.92 remaining. The grantee has requested an extension until July 30, 2016 to allow participants with already approved applications time to complete their projects. Correspondence with the grantee states that there are 63 projects totaling approximately \$225,000 outstanding.

Committee recommends an extension until July 30, 2016 to allow already approved projects to be completed and the necessary documentation submitted to TRRC for reimbursement. The balance of the award will then be de-obligated.

Town of Farmville

Regional Aquaculture Processing Facility (#2973)

\$200,000 award – Extension requested on the time-limited contingency.

This grant was approved in January 2015, for 50% of equipment/supplies/contractual costs, and contingent on matching funds for equipment and funds needed to construct the facility be committed by September 1, 2015. This grant award directly relates to a \$194,000 Southside Economic Development grant that provided funding toward construction of a building, and contingencies for the Town to engage an engineering firm to address site development requirements

including wetlands delineation, geotechnical assessment of soil suitability, stormwater management, etc.; and also being contingent on the Town securing financing no later than September 1, 2015 for construction of the building. The original Southside proposal identified a 10,000 square foot facility, however, during the initial review process, the Town provided a revised contractor quote for construction of a 4,750 square foot facility estimated to cost \$500,000, and a gap of \$306,000 in funding for construction of the building that had not been secured and no funding identified to support A&E or site development costs. The time-limited contingency on both of these grants has not been met; and no additional funding toward equipment and construction costs has been secured. The Town also indicates that no progress has been made on the engineering and that they are now looking into different building/site options. While there appeared to be a flurry of activity in response to staff questions on the project, comments shared raise even further questions about the readiness of this project. These comments included indications that there needs to be a “slower approach... before investing in a new facility”, “validation of proof of concept is still needed”, the size of the facility is still TBD, and that information has not yet been received to be able to calculate the breakeven point or an analysis of the ability of local farmers to produce enough product to sustain a facility. With staff’s request for an updated timeline for the project, the response shows that in December 2016, the project team would “be planning” for production facility, which staff notes would be nearly two years after the award considerations. The Town and project leaders have asked that the 9/1/15 contingency be removed and the grant be allowed the standard three year project period. With so many aspects of this facility potentially changing or now undecided staff has concerns as to how closely a revised plan submitted to the Commission would align with the original project that was supported. All of these points and the inability to secure additional financing suggest the original award was made prematurely, and staff suggests the applicant can reapply at a later date when planning for this facility has been completed.

As the time-limited contingency has not been met per the terms of the grant agreement, the Committee recommends the grant be rescinded.